

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric
Company for Adoption of Electric Revenue
Requirements and Rates Associated with its
2015 Energy Resource Recovery Account
(ERRA) and Generation Non-Bypassable
Charges Forecast

(U 39 E)

Application 14-05-024
(Filed May 30, 2014)

**RESPONSE OF CITY AND COUNTY OF SAN FRANCISCO
TO OPTIONAL HOMEWORK ASSIGNMENT IN PREPARATION FOR
THE ENERGY DIVISION'S MARCH 8 WORKSHOP ON
POWER CHARGE INDIFFERENCE ADJUSTMENT REFORM**

In response to the Energy Division's "optional homework assignment for Power Charge Indifference Adjustment (PCIA) Workshop," the City and County of San Francisco (San Francisco) provides the following comments. This workshop presents an opportunity to proactively focus on changes to the PCIA to make it more transparent, fair, and reasonable. The Commission should use this opportunity to consider whether the PCIA achieves bundled ratepayer *indifference* while being fair and reasonable to *all* ratepayers.

San Francisco's responses are shaped by its experience as a new Community Choice Aggregation (CCA) program. San Francisco will soon begin operating a CCA called CleanPowerSF. CleanPowerSF has already begun procuring energy resources and will start serving customers on May 1, 2016. A central goal of CleanPowerSF is to help San Francisco and California meet the goals of long-term renewable energy and greenhouse gas (GHG) reduction.

These comments are limited to the broader policy issues regarding the PCIA methodology, and San Francisco reserves its right to supplement its comments and address the more detailed aspects of the PCIA calculation as the workshop process evolves. San Francisco briefly responds

to the workshop questions below:

- The Commission developed the concept of the PCIA over several years in Commission decisions D.04-12-048, D.06-07-030 and D.07-01-030. The most recent iteration was approved in Resolution E-4475. However, it is not clear that the underlying methodology continues to ensure ratepayer indifference (**Q1**);
- The PCIA methodology should be changed because it is outdated. For example, the PCIA calculation has not been changed since May 2012, despite significant changes in the California energy market (including the successful launch of CCAs) and the significantly increased renewable procurement requirements of SBX1-2 and SB350 (**Q2**);
- The PCIA methodology should be changed because it results in highly volatile rates for non-bundled customers. The Commission should apply the same principles of rate stability that it applies to all other rate components. The Commission can mitigate some of these effects adopting a longer-term perspective on the calculation of the PCIA (**Q2**);
- The PCIA methodology should be modified to permit recovery of only unavoidable above market costs to encourage prudent management of IOU owned resources or resources under contract. It is not clear how the present PCIA methodology distinguishes between unavoidable and avoidable costs (**Q2**);
- The PCIA methodology should be modified by limiting PCIA cost recovery to ten years for all resource types, consistent with the treatment of conventional resources, the development and maturation of the renewable power industry, and the Commission's initial consideration of exit fees (**Q2**);

- The PCIA methodology should be modified to account for both the costs and benefits (such as reduced future procurement and operations risk) of departing load (Q2);
- At a minimum, the Commission should ensure that PCIA filings promote transparency by allowing redaction only of information that is actually confidential (Q5); and
- Lastly, San Francisco questions whether there are other mechanisms that could better ensure bundled ratepayer indifference.

Dated: February 16, 2016

Respectfully submitted,

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